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Effectiveness based upon achieving the best possible results while utilising a minimum of resources.

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Highlights

- Operating result (+ 11.9%) and Group result (+ 12.4%) improved due to significantly higher hydropower generation and the hedging strategy
- Profitability increased: EBITDA margin improved from 34.6% to 39.9%
- Combined cycle gas turbine power plant (CCGT) in Mellach, Austria (838 MW) officially opened
- Wind farm in Dagpazari, Turkey (39 MW) and CCGT in Aprilia, Italy (800 MW) connected to the grid
- 2012 outlook: operating result of about €800m and Group result of about €350m

Key figures

	Unit	Q1 – 2/2012	Q1 – 2/2011	Change
Revenue ¹	€m	1,562.8	1,460.0	7.0%
Operating result	€m	434.7	388.7	11.9%
Return on sales (EBIT margin) ¹	%	27.8	26.6	–
EBITDA	€m	622.9	505.1	23.3%
EBITDA margin ¹	%	39.9	34.6	–
Group result	€m	198.2	176.3	12.4%
Earnings per share	€	0.57	0.51	12.4%
Cash flow from operating activities	€m	440.4	491.7	– 10.4%
Additions to property, plant and equipment	€m	261.3	219.4	19.1%
Free cash flow	€m	63.2	63.4	– 0.3%
Average number of employees		3,056	2,983	2.4%
Electricity sales volume ¹	GWh	23,182	23,351	– 0.7%
Hydro coefficient		1.09	0.86	–
	Unit	30/6/2012	31/12/2011	Change
Balance sheet total	€m	11,930.8	11,859.3	0.6%
Equity	€m	4,935.1	4,929.4	0.1%
Equity ratio (adjusted)	%	42.9	43.0	–
Net debt	€m	4,425.3	4,035.7	9.7%
Gearing	%	89.7	81.9	–

¹ The key figures were adjusted to reflect the changes in accounting treatment for energy derivatives in the wholesale portfolio. The change was implemented retrospectively effective 1 January 2011 in accordance with IAS 8.

Report of the Executive Board

Dear Shareholders, despite a persistently difficult market and industry environment, VERBUND was able to improve results in the first half of 2012. As VERBUND generates more than four fifths of its electricity from hydropower, the good water supply in particular had a positive impact on our business.

Increased operating result and Group result

The operating result increased by 11.9% to €434.7m. The main reason for this was the 26.8% increase in electricity generated from hydropower. At 1.09, the hydro coefficient in the first half of 2012 was 9.0% above the long-term average and 23 percentage points above the previous year's figure. In addition, VERBUND benefited from higher sales prices: at an average of €56.0/MWh, electricity prices applicable for the 2012 financial year – traded in 2011 via “Year Base 2012” futures contracts – were up 12.3% over the 2010 level. We already included around 60% of our own generation in 2011 over the forward market based on our hedging strategy. In contrast, spot market prices fell in quarters 1–2/2012 by 18.9% to €42.8/MWh. The ongoing difficult economic circumstances for gas power plants in Europe had a negative impact on the operating result. Once again, an impairment loss had to be recognised for the ultramodern Mellach CCGT, which had been officially opened on 22 June 2012. Nevertheless, we were able to increase the Group result in the first half of 2012 – by 12.4% to €198.2m.

Electricity market in transition

The expansion of renewables, which is still heavily reliant on government subsidies, the weak and in part declining demand for electricity due to the economy and significant excess capacities result in the current low electricity prices. In addition to low electricity prices, gas power plants are also under massive economic pressure from long-term, expensive oil-indexed gas supply agreements. The incentive effect of the carbon market in support of low-carbon generation technologies is currently ineffective – so that lignite power plants are at present significantly more profitable than gas power plants. However, flexible power plants like gas and pumped storage power plants are still needed in the medium term to balance out the volatile generation of renewables and thus to ensure the security of European supply. In light of this, adjustments to the design of the electricity market are currently the subject of intense discussion. With its expertise in the energy market, VERBUND is also actively involved in the discussion.

Full concentration on hydropower and wind power

VERBUND is meeting these challenges with a clear strategy: we will continue to invest in hydropower and wind power, and with this, we are reinforcing our position as one of the leading generators of renewable energy. One example of this is the pumped storage power plant Reisseck II in Carinthia. Work on the largest hydropower construction site in Austria is progressing rapidly. This power plant will increase the turbine capacity of the Malta/Reisseck power plant group by 430 MW to 1,459 MW from 2014. We are also on the right path with the expansion of wind power as a long-term and clean supplement to hydropower: VERBUND will build 3 wind farms with a total of 57 MW in the Lower Austrian Bruck an der Leitha district. The ground-breaking ceremony for the Hollern II and Petronell-Carnuntum II wind farms was held in June 2012; the positive EIA notice for the wind farm in Bruck-Göttlesbrunn was received in July.

International markets

In Germany, our most important international market, we were able to expand our market position and increase electricity sales volumes by 8.1%.

In the growth market of Turkey, we are continuing the investment and expansion programme with our partner Sabanci. The Dagpazari wind farm (39 MW) was connected to the grid in May 2012. There are currently 12 power plants under construction in Turkey. Around 5,000 MW of installed capacity is expected by 2015.

In Italy, the Aprilia CCGT (800 MW) went into operation in quarter 2/2012. With installed capacity of now approximately 4,500 MW, the goals set for this market have almost been reached. However, the profitability of Sorgenia S.p.A. (Group) declined significantly due to the difficult conditions for gas power plants and the recession in Italy. Sorgenia S.p.A. (Group) will therefore introduce restructuring measures with the objective of significantly improving results and reducing the company's debt level.

In France, the gas supply agreement for the CCGT in Pont-sur-Sambre (412 MW) was cancelled in quarter 2/2012 within the framework of a safeguard procedure. This enables access to cheaper gas prices on the spot market and significantly improves the profitability position of the power plant. The Toul CCGT (413 MW) is scheduled to be put into operation at the end of 2012.

The first part of the Casimcea wind farm in Romania (99 MW) has been put into operation successively since May 2012; construction work for the second part (102 MW) began at the same time.

In June 2012, the Albanian Ashta hydropower plant on the Drin River fed electricity into the grid for the first time. Once both power plant stages are completed at the beginning of 2013, it will supply around 100,000 households with electricity.

Outlook for the full year

Assuming average water supply in the second half of 2012, we expect an operating result of around €800m and a Group result of around €350m for the entire year. However, if the conditions in the overall economy and the energy sector in Europe continue to worsen, additional negative effects on earnings in the second half of 2012 cannot be ruled out. Our dividend policy will aim for a payout ratio of approximately 50% of the Group result.



Dipl.-Ing. Wolfgang Anzengruber



Dr. Johann Sereinig



Dr. Ulrike Baumgartner-Gabitzer



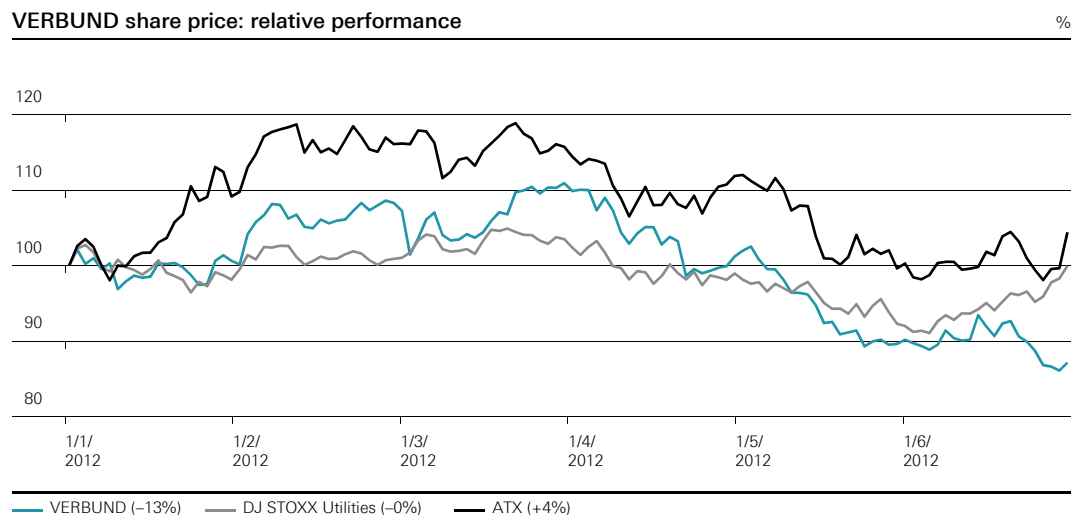
Dipl.-Ing. Dr. Günther Rabensteiner

Investor relations

The stock market trend in the first half of 2012 was primarily driven by political developments and was therefore highly volatile. While the markets closed on a thoroughly positive note at the end of March, the debt crisis once again caused growing concerns and significant price adjustments on the markets of several European countries in April and May. Positive political news in relation to the euro crisis led to a counter-reaction on international stock markets in June. However, the price levels of quarter 1/2012 could not be reached again. The US stock index Dow Jones Industrial closed trading on 30 June 2012 at 5.4% above the level at the end of 2011; the Nikkei 225 index improved by 6.5%. The Euro Stoxx 50 index was down 2.2%.

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VERBUND share price: relative performance



VERBUND shares significantly increased in value in quarter 1/2012. However, persistent uncertainty in the utilities sector and the low wholesale prices for electricity resulting from this had a significant negative impact on VERBUND shares in quarter 2/2012. VERBUND shares closed at €18.1 per share on 30 June 2012, down 12.9% from 31 December 2011, and thus performed worse than the ATX (+4.4%) and the industry index DJ STOXX Utilities (0.0%).

I Upcoming dates:
Interim report
quarters 1–3/2012:
24 October 2012

Shares: key figures

	Unit	Q1–2/2012	Q1–2/2011	Change
Share price high	€	23.0	32.5	-29.2%
Share price low	€	17.9	25.0	-28.4%
Closing price	€	18.1	30.0	-39.7%
Performance	%	-12.9	7.6	-
Market capitalisation	€m	6,277.8	10,422.5	-39.8%
ATX weighting	%	4.1	5.0	-
Value of shares traded	€m	742.6	1,956.3	-62.0%
Shares traded per day	Shares	291,072	538,274	-45.9%

Consolidated interim management report

Business development

Electricity supply and sales volume

Group electricity supply	GWh		
	Q1 – 2/2012	Q1 – 2/2011	Change
Hydropower ¹	14,903	11,753	26.8%
Wind/solar power	87	66	30.6%
Thermal power ¹	2,106	2,454	–14.2%
Own generation	17,096	14,273	19.8%
Electricity purchased from third parties	5,915	8,726	–32.2%
Electricity purchased for grid loss and control energy volumes	1,525	1,256	21.4%
Electricity supply	24,536	24,254	1.2%

¹Incl. purchase rights

At 17,096 GWh, VERBUND's own generation in quarters 1–2/2012 was 2,823 GWh higher than in quarters 1–2/2011. Generation from hydropower increased by 3,150 GWh. At 1.09, the hydro coefficient of the run-of-river power plants was 9.0% above the long-term average and 23 percentage points higher than in quarters 1–2/2011. Generation from annual storage power plants also increased significantly (+34.0%). This can be attributed in particular to the high storage levels at the beginning of the year. However, generation from thermal power plants decreased by 348 GWh. The newly constructed Mellach CCGT in Styria generated 445 GWh in quarters 1–2/2012 (quarters 1–2/2011: 0 GWh). In contrast, generation from other VERBUND thermal power plants in Austria decreased (–688 GWh). The Pont-sur-Sambre CCGT in France also generated less electricity (–105 GWh). The purchase of electricity from third parties for the trading and sales business decreased by 32.2%. Electricity purchased from third parties for grid losses and control energy increased by 269 GWh to 1,525 GWh. Grid loss energy decreased by 30 GWh. Within the scope of the implementation of the ITO model, APG has been purchasing the energy needed for secondary and tertiary control as well as for unintentional exchange freely on the market since 1 January 2012 (+299 GWh).

Group electricity sales volume and own requirements	GWh		
	Q1 – 2/2012	Q1 – 2/2011	Change
Consumers	4,743	4,443	6.8%
Resellers	10,413	10,426	–0.1%
Traders	8,026	8,483	–5.4%
Electricity sales volume	23,182	23,351	–0.7%
Own requirements	1,139	903	26.1%
Control energy volume	215	0	–
Electricity sales volume and own requirements	24,536	24,254	1.2%

Electricity sales volume decreased by 169 GWh in quarters 1–2/2012. Electricity deliveries to trading firms declined by 457 GWh. Although more electricity was sold through power exchanges in quarters 1–2/2012, hedging of own generation on the OTC trading market was significantly reduced. In contrast, sales to consumers increased (+300 GWh). The slight decrease in sales volume to domestic consumers (–170 GWh) was significantly overcompensated by higher volumes sold to international consumers (+470 GWh).

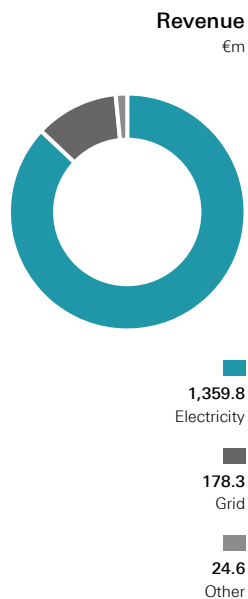
Electricity sales volume by country			GWh
	Q1–2/2012	Q1–2/2011	Change
Austria	11,937	12,071	–1.1%
Germany	9,358	8,655	8.1%
France	1,533	1,924	–20.3%
Italy	161	216	–25.3%
Others	193	485	–60.2%
Electricity sales volume	23,182	23,351	–0.7%

VERBUND sold around 48.5% of its electricity volume in quarters 1–2/2012 in international markets. This related in particular to the German and French electricity markets. The focus of VERBUND's international trading and distribution activities is the German market which accounts for 83.2% of all volumes sold abroad.

Financial performance

Results			€m
	Q1–2/2012	Q1–2/2011	Change
Revenue ¹	1,562.8	1,460.0	7.0%
EBITDA	622.9	505.1	23.3%
Operating result	434.7	388.7	11.9%
Group result	198.2	176.3	12.4%
Earnings per share in €	0.57	0.51	12.4%

¹ The key figures were adjusted to reflect the changes in accounting treatment for energy derivatives in the wholesale portfolio. The change was implemented retrospectively effective 1 January 2011 in accordance with IAS 8.



Income

Electricity revenue increased by 5.0% to €1,359.8m in quarters 1-2/2012. This increase can be attributed to the overall positive price variation as a result of higher forward market prices contracted in the previous year. In contrast, electricity sales volume decreased slightly by 0.7%.

External grid revenue increased by 34.4% to €178.3m. The main reasons for this increase were higher international revenue from the auctioning of cross-border capacities (€+32.0m) and first-time revenues from balancing energy (€+19.6m) as APG has been regulating the entire balancing energy market since 2012. Provisions at APG relating to the potential rescission of the System Usage Rates Directive had a negative impact of €14.6m on grid revenues.

Other revenue decreased by €7.9m to €24.6m. This decrease can be attributed primarily to lower revenue from emission rights trading.

Other operating income rose by €23.9m to €44.8m. This resulted in particular from the capitalisation of start-up costs for the Mellach CCGT as well as higher revenue from loss settlements.

Expenses

Expenses for electricity, grid and gas purchases as well as emission rights purchases (trade) decreased in quarters 1-2/2012 by 10.0% to €597.6m. The purchase of electricity from third parties for the trading and sales business as well as for grid losses and control energy decreased year-on-year by a total of 2,542 GWh. This marked reduction in quantity arising as a result of the significant increase in own generation stands in contrast to the slightly higher purchase prices. Expenses for grid purchases increased by €6.2m compared to quarters 1-2/2011.

Fuel and other usage-dependant expenses rose by 44.3% to €84.6m. The increase can be mainly attributed to the operation of the Mellach CCGT which generated a total of 445 GWh of electricity in quarters 1-2/2012. A compensating effect resulted from decreased use of coal and heating oil as well as from the purchase of CO₂ emission rights. The fuel expenses resulting from trial operations (net of the revenue resulting from electricity sales) were capitalised; the corresponding offsetting item is recognised in other operating income.

Personnel expenses increased by €30.7m to €196.1m in quarters 1-2/2012. Wages, salaries and ancillary expenses increased by €5.2m to €152.8m. The increase in salaries pursuant to the collective agreement and the slightly higher average number of employees (+73 in comparison to 30 June 2011), due primarily to the implementation of the APG unbundling, contributed to the increase in personnel expenses. Expenses for severance payments and pensions increased by €25.5m to €43.3m. Existing provisions for pensions and similar obligations, severance payments and partial retirement programmes were measured on the basis of an actuarial report updated on 30 June 2012. The discount rate for this was 4.25% (30 June 2011 and 31 December 2011: 4.75%). The actuarial losses recognised in profit or loss in quarters 1-2/2012 amounted to a total of €24.9m (quarters 1-2/2011: profits amounting to €3.0m).

Amortisation of intangible assets and depreciation of property, plant and equipment rose by €17.2m to €133.7m. The reason for this was the higher depreciation base due to the reversal of impairment losses on the Freudenuau power plant on the Danube and the Mittlere Salzach and Obere Drau run-of-river power plant chains during the 2011 financial year. In addition, the commissioning of the pumped storage power plant Limberg II in quarter 3/2011 and of Mellach CCGT also increased expenses.

Other operating expenses rose by €20.4m to €107.9m compared to the same period in 2011. The increase can be mainly attributed to higher maintenance and advertising expenses as well as to reversals of provisions which no longer apply.

Effects from impairment tests

The CCGT in Mellach was tested for impairment as at 30 June 2012 due to indications of impairment as a result of the ongoing difficult market conditions for gas power plants. The recoverable amount of the CCGT was calculated based on the value in use. The impairment loss resulting from the impairment test amounted to €53.7m. The reversal of deferred government grants reduced the impairment by €1.5m. The net effect on profit or loss from the impairment loss amounted to a total of €52.2m.

Operating result

As a consequence of these developments, the operating result increased by 11.9% to €434.7m. The EBIT margin rose slightly from 26.6% to 27.8 %.

Result from equity interests

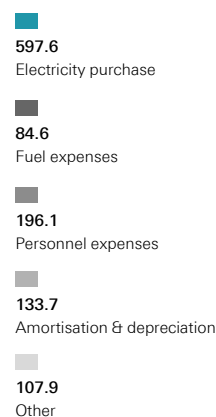
The result from interests accounted for using the equity method declined year-on-year by €15.2m to €-24.2m, whereby the contribution of foreign interests increased by €5.8m to €-50.8m.

The contribution of the Turkish equity interest(s) to the result from interests accounted for using the equity method amounted to €12.2m versus €-3.7m in quarters 1-2/2011. The EUR/TRY and USD/TRY exchange rate trends resulted in foreign exchange gains from the measurement of liabilities denominated in foreign currencies and recognised in profit or loss. The resulting effect on the result from interests accounted for using the equity method of VERBUND in quarters 1-2/2012 amounted to a total of €25.1m (quarters 1-2/2011: €-30.1m).

The contribution of the French equity interests to the result from interests accounted for using the equity method amounted to €-34.1m versus €-39.9m in quarters 1-2/2011. POWEO Pont-sur-Sambre Production S.A.S. was placed under a safeguard procedure (“procédure de sauvegarde”) in quarter 1/2012, which resulted in the termination of the disadvantageous natural gas supply agreement in quarter 2/2012. The effect on profit or loss in the amount of €62.3m resulting from the judicial termination of the agreement resulted on the one hand in compensation for the losses for which recognition was discontinued in the amount of €43.3m and on the other hand, after the reduction for further current losses, in the recognition of a result from interests accounted for using the equity method in the amount of €13.9m. VERBUND provided a letter of comfort in quarter 2/2012 in order to secure the financial position of POWEO Toul Production S.A.S. This resulted in the recognition of formerly off-balance sheet losses for which recognition had been discontinued in the amount of €48.0m.

The contribution of the Italian Sorgenia S.p.A. (Group) in quarters 1-2/2012 was €-30.5m, after €-3.2m in quarters 1-2/2011. The main reasons for the negative development were the difficult market environment for gas power plants in Europe and a lower result from equity interests in Tirreno Power.

Expenses
€m



Due to VERBUND's strategic focus, the investment portfolio was restructured. On 30 May 2012, a sales agreement was signed for the 45% equity interest in Gletscherbahnen Kaprun AG. This resulted in an impairment loss of €5.3m and the classification of the equity interest as held for sale, because the sale process was not yet completed at the balance sheet date. In addition, a positive effect on profit or loss of €3.6m was recognised in other result from equity interests in quarter 2/2012 from the sale of the equity-accounted interest in Kärntner Restmüllverwertungs GmbH accounted for using the equity method. The equity interest in C.E.M.P d.o.o. resulted in a gain of €0.9m. In total, the measures implemented up to 30 June 2012 had a nearly balanced result.

Income from domestic equity interests accounted for using the equity method decreased to €26.6m (quarters 1-2/2011: €36.0m). This mainly includes the results of SSG in the amount of €12.4m (€16.0m) and KELAG in the amount of €15.4m (€14.2m).

Interest income and expense

Interest income increased by €2.3m to €19.7m in quarters 1-2/2012 compared to quarters 1-2/2011. Lower income from money market transactions was compensated by other interest and similar income. Interest expenses sank by €33.1m to €-93.7m. This is primarily due to the losses attributable to the limited partners of VERBUND Thermal Power GmbH & Co KG (as a result of the impairment of the CCGT in Mellach). In addition, interest expenses for bank loans declined as a result of early unscheduled repayments. Higher other interest and similar expenses resulted mainly from a repayment premium and fees from the partial early repayment of a bond denominated in foreign currency (JPY).

Other financial result

Other financial result decreased by €13.3m to €-9.9m in quarters 1-2/2012.

The best estimate of the guarantee liabilities for the construction financing for the CCGT in Toul was €74.1m as at 30 June 2012 (31 December 2011: €42.9m). The effect of this measurement on profit or loss in quarters 1-2/2012 was €-32.4m (quarters 1-2/2011: €0.0m). The fair value of the overall short position with respect to the former subsidiaries and second-tier subsidiaries of POWEO Production S.A.S. (including the financing and guarantees currently provided by VERBUND) vis-à-vis POWEO S.A. and Direct Energie S.A. amounted to €3.8m as at 30 June 2012 (31 December 2011: €13.4m). The effect of this measurement on profit or loss amounted to €9.6m (quarters 1-2/2011: €-12.7m).

Thus, the financial result increased by a total of €9.7m to €-100.8m.

After deducting an effective tax rate of 25.2% and non-controlling interests in the amount of €51.6m, Group result amounts to €198.2m. This corresponds to an increase of 12.4% compared to the same period in 2011.

Assets and liabilities

Consolidated balance sheet (short version)

	€m				
	30/6/2012	Percent	31/12/2011	Percent	Change
Total assets	11,930.8	100.0%	11,859.3	100.0%	0.6%
Non-current assets	10,539.4	88.3%	10,299.7	86.8%	2.3%
Current assets	1,373.9	11.5%	1,558.5	13.1%	-11.8%
Non-current assets held for sale	17.5	0.1%	1.1	0.0%	n.a.
Liabilities	11,930.8	100.0%	11,859.3	100.0%	0.6%
Equity	4,935.1	41.4%	4,929.4	41.6%	0.1%
Non-current liabilities	5,735.6	48.1%	5,886.2	49.6%	-2.6%
Current liabilities	1,260.1	10.6%	1,043.7	8.8%	20.7%

Assets

The development of VERBUND's assets in quarters 1-2/2012 was characterised on the one hand by investments in property, plant and equipment and interests accounted for using the equity method, and on the other hand by a decline in cash and cash equivalents. Capital expenditure for property, plant and equipment amounted to a total of €261.3m. Of that amount, €83.1m was invested in the construction of wind power plants in Romania, €40.4m in the Reisseck II pumped storage power plant and €38.5m in the Mellach CCGT. The capital expenditure for interests accounted for using the equity method amounted to €182.0m and all related to capital increases at Turkish Enerjisa Enerji A.S. In addition, the increase in carrying amount of 8.5% is attributable to foreign exchange gains recognised without effect on profit or loss (€+54.9m) from currency translation relating to the Turkish joint ventures and results from interests accounted for using the equity method (€+23.7m). Dividend distributions (€-27.9m), other comprehensive income recognised without effect on profit or loss (€-31.6m) and the sale of the interest in Kärntner Restmüllverwertungs GmbH and Gletscherbahnen Kaprun AG had the opposite effect.

Trade receivables including other receivables increased by a total of 6.3%. This increase can be attributed in particular to higher receivables from tax payments (€+82.8m), higher receivables from POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. and measurement of derivatives in the energy area. Short-term investments in money market transactions, which fell by €129.0m, had the opposite effect.

Liabilities

The capital structure remained essentially the same as at 31 December 2011: as at 30 June 2012, the adjusted equity ratio was 42.9% (31 December 2011: 43.0%). Financial liabilities decreased slightly by 1.5%. This can be attributed in particular to scheduled repayments and early proportionate repayment of a bond denominated in JPY in the amount of €69.0m. Nevertheless, net debt increased by 9.7% to €4,425.3m. The reasons for this can be seen primarily in the increase in guarantee liabilities for the construction financing for the CCGT in Toul (€+31.2m) and the drop of cash and cash equivalents (€-273.9m). The 4.7% decrease in non-current and current provisions was mainly the result of decreasing provisions for outstanding invoices for investments (€-49.4m) and for maintenance expenses (€-24.3m). The increase in particular in provisions for personnel expenses (€+17.4m) had the opposite effect. This increase mainly resulted from the adjustment of the discount rate, increases in

pension benefits as well as from the increase in the collective wage agreement with respect to the calculation basis for severance payments. Trade payables including other payables increased by a total of 7.7%. The reason for this can be seen primarily in the provision of a letter of comfort for POWEO Toul Production S.A.S., which resulted in the recognition in profit or loss of the obligation in the amount of €48.0m.

Cash flows

Cash flow statement (short version)			€m
	Q1-2/2012	Q1-2/2011	Change
Cash flow from operating activities	440.4	491.7	-10.4%
Cash flow from investing activities	-377.2	-428.3	11.9%
Cash flow from financing activities	-337.1	-537.8	37.3%
Change in cash and cash equivalents	-273.9	-474.5	42.3%
Cash and cash equivalents as at 30/6/	59.4	14.5	n.a.

Cash flow from operating activities

Cash flow from operating activities amounted to €440.4m and was thus 10.4% lower than in quarters 1-2/2011. Higher contribution margins from generation (€+98.5m) were compensated by decreases in the variation margins received from futures contracts in the energy area (€-43.9m). In addition, primarily payments for income taxes increased significantly compared to quarters 1-2/2011.

Cash flow from investing activities

Cash flow from investing activities changed by €-51.1m compared to quarters 1-2/2011. Disbursements for capital increases and share acquisitions on the part of interests accounted for using the equity method amounted to €182.0m in quarters 1-2/2012. In quarters 1-2/2011, disbursements for these amounted to €211.5m. The net change from deposits and payments for temporary investments amounted to €+89.6m.

At €63.2m free cash flow remains positive as in the same period 2011.

Cash flows from financing activities

Cash flow from financing activities changed by €+200.7m compared to quarters 1-2/2011 and increased in particular as a result of the reduction in repayments of financial liabilities, which were €312.2m lower. No new financial liabilities were incurred in quarters 1-2/2012, which had the opposite effect (€-146.8m).

Risk management

VERBUND is confronted with numerous opportunities and risks in its operations in Austria and abroad. The transformation of energy generation, the euro crisis and the price development on the primary energy markets result in a decrease in margins. In addition, the risk of further impairment losses on investments and equity interests is growing.

Operating result: volume and price risk, risk of impairment

Electricity generation from hydropower depends largely on hydrological influences that cannot be controlled. Fluctuations in wholesale prices for electricity and the decline of the base-peak spread as a significant value driver for pumped storage power plants also have an effect on the result. The profitability of thermal power plants is affected above all by price trends for electricity, primary energy (natural gas, hard coal) and carbon credits and the annual operation hours derived from these.

Investment, personnel, operating and maintenance, and contractual risks are monitored continuously. In 2012, focus will be placed on negotiating new gas supply agreements as well as monitoring investment performance and the recoverability of investments. Further impairment losses represent a potential risk to earnings. Taking into account the annual power generation priced in as at the 30 June 2012 reporting date, a change of 1.0% either way in the following factors – all else remaining equal – would be reflected in the operating result for 2012 as indicated below:

- Greater or less generation from hydropower: +/- €5.3m
- Wholesale electricity prices (hydropower plants and thermal power plants): +/- € 2.2m
- Clean spark spread (difference between the prices of gas and electricity, taking into account CO₂ costs when electricity price varies): +/- €0.3m

Financial result: measurement effects in the financial result and result from equity interests

VERBUND's financial result is increasingly influenced by the performance of equity interests. This reflects the expansion of the operating activities, the changed energy market environment and the effects of measuring financial liabilities in foreign currency. In addition, further impairment of the carrying amount of equity interests can occur and liabilities and guarantees can apply.

The foreign exchange risk of the JPY liability fell accordingly after partial repayment in quarter 1/2012. A change of 1.0% either way in the following factors – all else remaining equal – would be reflected in the financial result for 2012 as at the 30 June 2012 reporting date as indicated below:

- JPY-EUR exchange rate (financial result): +/- €0.6m
- TRY-EUR exchange rate (result from equity interests): +/- €3.8m
- Wholesale electricity prices in international equity interests (result from equity interests): +/- €3.6m

Significant transactions with related parties requiring disclosure are presented in the selected explanatory notes.

Outlook

The European electricity market is in a period of fundamental change. Germany's agreement to abandon nuclear power by the year 2022 and the dynamic expansion of the heavily fluctuating generation of electricity, in particular from wind power and photovoltaics, represent significant economic and technical challenges for electricity supply in Europe.

On the one hand, the expansion of wind and solar power is heavily subsidised and thus distorts European electricity markets. On the other hand, the profitability of supplemental gas power plants is under enormous pressure all over Europe. Negative or weak clean spark spreads continue to be responsible for this. Wholesale prices for electricity are relatively low while long-term gas supply agreements are linked to the price of oil and thus are currently expensive. In the medium term however, we expect increasing capacity requirements in the European electricity market which will ensure the profitable operation of gas power plants.

The uncertain situation in the CO₂ markets also has a negative influence on electricity price development. CO₂ prices, which are intended to promote a switch to more environmentally friendly power plant technologies, remain low. As a result, lignite power plants are currently significantly more profitable than gas power plants. Adjustment of the current CO₂ system in Europe has failed in the past due to the opposition of several EU member states.

From a technical perspective, further expansion of the energy infrastructure will be the major challenge in order to ensure grid stability and thus security of supply in Europe.

Future development of the European electricity market will naturally also depend on the current difficult macroeconomic and financial environment as well as particularly on decisions by the EU regarding further structuring of the underlying conditions.

In 2011, VERBUND already brought its business activities into line with a weakening energy and financial environment. A programme to increase efficiency was decided in this context with the goal of identifying further cost saving opportunities and optimising processes. In international business, the focus is on refocusing and restructuring business activities in France and Italy. This path will be followed consistently in the current financial year. At the same time, we are continuing our investment programme with the focus on expansion of electricity generation from renewable energy. VERBUND continues to invest in the expansion of hydropower plants and high-voltage grids in Austria, but also increasingly in wind power.

Assuming average water supply in the second half of 2012, we expect an operating result of around €800m and a Group result of around €350m for the entire year. However, if the conditions in the overall economy and the energy sector in Europe continue to worsen, additional negative effects on earnings in the second half of 2012 cannot be ruled out. Our dividend policy will aim for a payout ratio of approximately 50% of the Group result.

Operating segments

Electricity

Electricity supply – Electricity segment

	GWh		
	Q1 – 2/2012	Q1 – 2/2011	Change
Hydropower ¹	14,903	11,753	26.8%
Wind/solar power	87	66	30.6%
Thermal power ¹	2,106	2,454	– 14.2%
Own generation	17,096	14,273	19.8%
Electricity purchased from third parties	5,915	8,726	– 32.2%
Intragroup	161	0	–
Electricity supply	23,172	22,998	0.8%

¹ Incl. purchase rights

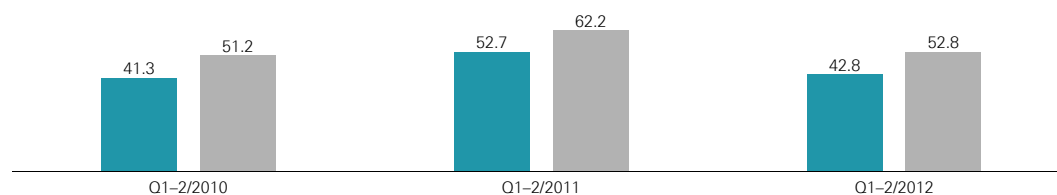
Electricity generation

At 17,096 GWh, the Electricity segment's total generation of electricity in quarters 1–2/2012 was up 19.8% compared to the same period in 2011. Generation from hydropower increased by 26.8%. At 1.09, the hydro coefficient of the run-of-river power plants was 9.0% above the long-term average and 23 percentage points higher than the value in quarters 1–2/2011. Generation from annual storage power plants also increased noticeably due to the high storage levels at the beginning of the year: it was up by 34.0% compared to the same period of the previous year. In quarters 1–2/2012, around 87% of VERBUND's own generation came from hydropower.

Generation from thermal power plants was reduced by 14.2%. The main reason for this is the unfavourable price ratio of gas to electricity prices. The purchase of electricity from third parties for the trading and sales business decreased by 32.2%. This can be mainly attributed to increased generation from hydropower.

Spot market prices for electricity

€/MWh

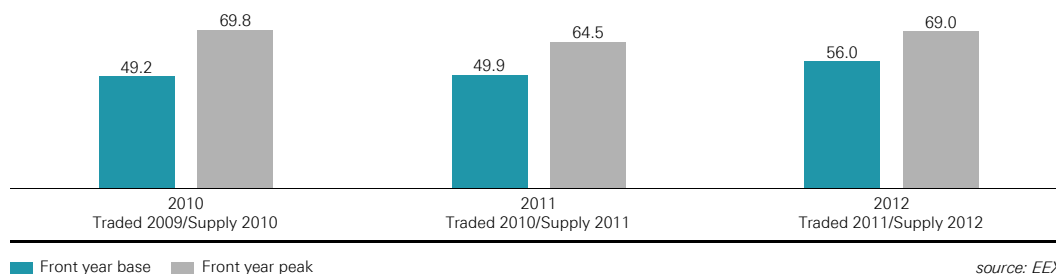


■ Spot base ■ Spot peak

source: EPEX Spot

Futures prices for electricity

€/MWh



Electricity prices

At an average of €56.0/MWh, prices for electricity futures contracts applicable for the 2012 financial year (front year base 2012) were up 12.3% over the previous year's level. As a result of its hedging strategy, VERBUND had already included the majority of its own generation in its pricing calculation in 2011 via the forward market. In contrast, spot market base prices fell in quarters 1–2/2012 by 18.9% to €42.8/MWh. Spot price development was driven above all by low demand as a result of the economy as well as the low prices for emission rights.

Primary energy prices demonstrated an overall downward trend in quarters 1–2/2012. Although the price for Brent crude oil rose in quarter 1/2012 from \$112/bbl to up to \$125/bbl, it then fell to \$98/bbl at the end of June 2012. The price for hard coal deliveries CIF ARA (6,000 kcal/kg) has fallen continuously since the beginning of the year, from \$110/t to \$91/t at the end of June. Spot prices on the gas hub Net Connect Germany (NCG) have fluctuated between €22.2/MWh and €37.6/MWh since January, reaching €24.1/MWh at the end of June. On the gas forward market at the trading point NCG, the price for the front year future for 2013 (Cal13 contract) was €25.8/MWh at the end of June, slightly below the price of €26.0/MWh at the beginning of the year.

Electricity sales volume

Electricity sales volume and own requirements – Electricity segment

	Q1–2/2012	Q1–2/2011	Change
Consumers	4,743	4,442	6.8%
Resellers	9,367	9,362	0.1%
Traders	7,972	8,394	–5.0%
Intragroup	334	211	58.3%
Electricity sales volume	22,416	22,409	0.0%
Own requirements	756	589	28.4%
Electricity sales volume and own requirements	23,172	22,998	0.8%

Electricity sales volume and own use increased by 0.8% in quarters 1 – 2/2012 compared to the same period in 2011. Business with resellers changed slightly by 0.1%. This can be mainly attributed to higher supplies to resellers due to increased generation from hydropower. This balances out the lower sales of control energy from the Electricity segment. Electricity deliveries to trading firms decreased by 5.0%. The reason for this is a sharp drop in generation hedging on the OTC trading market, which more than compensates for increased marketing on the exchange.

Sales volumes in the Austrian consumer market decreased by 5.8%. In Austria, VERBUND has more than 250,000 consumers in the household/agriculture and commercial segment consuming up to 100,000 kWh of electricity annually. Internationally, the volumes sold on the consumer market could be significantly increased by activities on the German market despite the pull-out from France.

Expansion of generation from hydropower

The mechanical tunnel work is complete for the Reisseck II project in Carinthia. The power plant chamber is completely excavated and most of the concrete work in the transformer cavern has been completed. Preliminary work in the cable duct area is underway. Once it is completed in 2014, the new pumped storage power plant will expand the capacities of the Malta/Reisseck power plant group by 430 MW.

Renovation of the second generator set in the revitalisation of the Pernegg power plant was completed in May. Until the renovation of the third generator begins at the end of August 2012, the power plant will run with 2 new and 1 old generators.

The permit proceedings for the cross-border Inn power plant joint venture (89 MW) are continuing at the courts of second instance in Austria. Despite additional delays in the proceedings, we currently expect to receive a notice of approval from the courts of second instance in 2012.

Expansion of generation from thermal power

One generator at the Mellach CCGT was already put into operation in March. Following successful completion of the trial operation, VERBUND took over the second generator – and, in doing so, the entire facility – from the general contractor Siemens AG in mid-May. The official opening ceremony took place with an open house at the end of June. As the most powerful power plant in Austria, the CCGT in Mellach is a necessary partner for further expansion of renewable energies.

Expansion of generation from wind power

Construction of the Casimcea wind farm in Romania is making progress. Construction work for Casimcea I, the first part of the project (99 MW), is close to being successfully completed. The 43 wind turbines are currently being put into operation in stages. The 400 kV substation is now operational and in the future will feed over 700 MW of clean wind energy into the Romanian transmission grid. Casimcea II, the second part of the project (102 MW), is currently under construction. Construction of the foundations will commence soon.

VERBUND is building 3 wind farms with a total capacity of 57 MW in the Lower Austrian Bruck an der Leitha district. The official ground-breaking ceremony for the Hollern II wind farm (15 MW) and Petronell-Carnuntum II (21 MW) was held on 12 June 2012. The construction site infrastructure is currently being built. EIA approval for the wind farm in Bruck-Göttlesbrunn (21 MW) has already been issued.

Grid

APG's grid is the backbone of domestic power supply. The transported energy volume relevant to billing in the 380/220 kV grid (excluding electricity used for pumping) increased by 0.7% to 9,065 GWh in quarters 1-2/2011. A total of 3,514 GWh was imported and 437 GWh exported at the 380, 220 and 110 kV level in the APG control area. Since 1 January 2012, this area also includes the VKW control area.

Electricity supply – Grid segment

	GWh		
	Q1 – 2/2012	Q1 – 2/2011	Change
Electricity purchased for grid loss and control energy volumes	1,525	1,256	21.4%
Intragroup	334	211	58.3%
Electricity supply	1,858	1,467	26.7%

Electricity sales volume and own requirements – Grid segment

	GWh		
	Q1 – 2/2012	Q1 – 2/2011	Change
Resellers	1,045	1,064	- 1.8%
Traders	54	88	- 38.6%
Intragroup	161	0	-
Electricity sales volume	1,260	1,152	9.4%
Own requirements	383	314	22.0%
Control energy volume	215	0	-
Electricity sales volume and own requirements	1,858	1,467	26.7%

APG has been responsible for the central purchase of energy to cover transmission and distribution losses for the majority of Austrian grid operators since 2011. APG has also been responsible for the management of control energy since 2012.

Progress on the second part of the 380 kV Salzburg line

Final mapping and planning activities are currently underway for the second part of the 380 kV Salzburg line. At the same time, technical documentation is being prepared for the environmental impact statement. Submission to EIA is planned for late summer 2012.

Security of supply, management of maximum electrical capacities

In quarter 2/2012, the supply in the APG control area was secured almost exclusively by technical grid measures. On 16 May 2012, the 220 kV Salzburg substation-Tauern grid hub line became fully operational again (outage on 15 February 2012 due to an avalanche) with the newly erected tower no. 151. The quadrature booster in Lienz was put into operation on 23 May 2012 whereby the flow of current could be optimised according to the technical capacity of the line.

Equity interests

Foreign

Italy

The contribution of the Italian Sorgenia S.p.A. (Group) to the result from interests accounted for using the equity method in quarters 1-2/2012 was €-30.5m (quarters 1-2/2011: €-3.2m). The main reasons for the negative development were the difficult market environment for gas power plants in Europe (lower contribution margins) and a lower result from equity interests in Tirreno Power.

The Aprilia CCGT (800 MW) went into normal operation in quarter 2/2012 as planned. This completes the planned expansion of Sorgenia S.p.A. (Group) capacities in the area of thermal power. With an installed total capacity of more than 4,500 MW, Sorgenia S.p.A. (Group) stabilised its position as number 5 in the Italian electricity market. The company supplies around 460,000 consumers with electricity and gas.

Within the framework of refocusing and restructuring Sorgenia, the English companies Sorgenia E&P Ltd and MPX Energy Ltd sold their shares in Orlando oil field to Iona Energy Ltd. The proceeds from the transaction will be paid out as planned in 2 tranches within the next 3 years and will reduce the debt level of Sorgenia S.p.A. (Group).

France

The contribution of the French equity interests to the result from interests accounted for using the equity method amounted to €-34.1m (quarters 1-2/2011: €-39.9m). The negative result can be attributed mainly to VERBUND's legal commitment to provide funds to POWEO Toul Production S.A.S. amounting to €48.0m, which is to be recognised as a liability. The commissioning phase for the Toul CCGT began in quarter 2/2012 and will be followed by its activation at the end of 2012. Just as the one in Pont-sur-Sambre, this power plant is also impacted by the current difficult market environment for gas power plants in Europe.

The POWEO Pont-sur-Sambre Production S.A.S. posted a positive result of €13.9m. This was mostly due to the derecognition of the long-term gas supply agreement with ENI S.p.A. measured at fair value in the amount of €62.3m. After initiation of the safeguard procedure in March 2012, the gas supply agreement was terminated effective 24 April 2012. This will allow the losses of the power plant in Pont-sur-Sambre to be reduced and its competitiveness to be improved. As a consequence of the court decision, ENI S.p.A. brought an action for damages against POWEO Pont-sur-Sambre Production S.A.S.

Turkey

The contribution of the Turkish equity interest(s) to the result from interests accounted for using the equity method amounted to €12.2m (quarters 1-2/2011: €-3.7m). Due to the extremely cold winter and the resulting gas shortage, the CCGTs could not be operated as planned. High electricity prices on the spot market increased revenues; however, electricity had to be purchased in the same period due to limited usage options in the gas power plants. Nevertheless, it was still possible to improve the result because the Turkish lira appreciated significantly against the euro, so that large foreign exchange gains on financial liabilities could be recorded. The Dagpazari wind farm (39 MW) was put into operation in quarter 2/2012. Enerjisa Enerji Üretim A.S. had an installed capacity of around 1,690 MW at its disposal at the end of the first half of 2012; 12 power plants with a total capacity of around 1,700 MW are currently being built. Enerjisa Enerji A.S. (Group) supplies 3.4 million consumers.

Domestic

The contribution of STEWEAG-STEG GmbH (SSG) to the result from interests accounted for using the equity method in quarters 1-2/2012 was €12.4m (quarters 1-2/2011: €16.0m). The performance of SSG's energy sales was stable in all areas. Trial operation of the Gössendorf power plant went according to plan.

KELAG AG (KELAG) continued its positive business performance in the first half of the year. The contribution of KELAG to the result from interests accounted for using the equity method in quarters 1-2/2012 was €15.4m (quarters 1-2/2011: €14.2m).

Despite the difficult market environment, Energie Klagenfurt GmbH (EKG) posted a stable result in the first half of the year. The contribution of EKG to the result from interests accounted for using the equity method in quarters 1-2/2012 was €1.1m (quarters 1-2/2011: €1.9m). The planned 400 MW CCGT in Klagenfurt/Carinthia was not certified as sufficiently environmentally compatible in the court of the second instance. Energie Klagenfurt is currently reviewing alternative solutions for the Klagenfurt site.

Events after the balance sheet date

Shares in the Italian Sorgenia S.p.A. (Group) totalling €9.5m were acquired effective 9 July 2012. The acquisition of interests resulted from a capital increase and the exercise of put options on shares that have been issued as part of a share-based remuneration programme for members of the management of Sorgenia S.p.A. (Group). As a result, VERBUND's ownership interest in Sorgenia S.p.A. (Group) increased slightly from 44.9% to 45.7%.

Effective 12 July 2012, a capital increase was carried out at the Turkish Enerjisa Enerji A.S. The 50% share of VERBUND in this capital increase amounted to €26.1m.

Consolidated interim financial statements

Income statement

		€m			
In accordance with IFRSs	Notes	Q1–2/2012	Q1–2/2011 ¹	Q2/2012	Q2/2011 ¹
Revenue		1,562.8	1,460.0	725.0	753.5
Electricity revenue	1	1,359.8	1,294.8	649.3	713.1
Grid revenue		178.3	132.6	77.5	24.4
Other revenue		24.6	32.5	–1.8	16.0
Other operating income		44.8	20.9	13.6	12.2
Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)	2	–597.6	–664.1	–259.3	–364.2
Fuel expenses and other usage-dependant expenses	3	–84.6	–58.7	–24.0	–26.2
Personnel expenses	4	–196.1	–165.4	–95.8	–83.8
Amortisation of intangible assets and depreciation of property, plant and equipment		–133.7	–116.5	–68.6	–58.6
Other operating expenses		–107.9	–87.6	–66.7	–60.0
Operating result before effects from impairment tests		487.7	388.7	224.1	172.9
Effects from impairment tests ²	5	–52.9	0.0	–52.9	0.0
Operating result		434.7	388.7	171.2	172.9
Result from interests accounted for using the equity method	6	–24.3	–9.1	–32.4	–5.0
Other result from equity interests	7	7.3	4.4	3.5	–1.0
Interest income	8	19.7	17.4	9.7	8.0
Interest expenses	9	–93.7	–126.7	–20.2	–51.0
Other financial result	10	–9.9	3.4	17.6	–9.4
Financial result		–100.8	–110.5	–21.7	–58.4
Profit before tax		333.9	278.2	149.4	114.5
Taxes on income		–84.1	–69.5	–41.9	–31.1
Profit for the period		249.9	208.7	107.5	83.4
Attributable to the shareholders of VERBUND AG (Group result)		198.2	176.3	78.8	67.8
Attributable to non-controlling interests		51.6	32.3	28.8	15.5
Earnings per share in €³		0.57	0.51	0.23	0.20

¹ The comparative figures were adjusted retrospectively in accordance with IAS 8. // ² The effects from impairment tests consist of impairment losses and reversals from impairment losses (net of changes in the corresponding deferred contributions to building costs and government grants). // ³ Diluted earnings per share correspond to basic earnings per share.

Statement of comprehensive income

					€m
In accordance with IFRSs	Notes	Q1-2/2012	Q1-2/2011	Q2/2012	Q2/2011
Profit for the period		249.9	208.7	107.5	83.4
Other comprehensive income from:					
Foreign exchange differences	11	51.2	-101.5	32.2	-56.2
Available-for-sale financial instruments		0.7	-4.0	-0.9	-0.9
Cash flow hedges		-7.0	22.7	-32.1	82.5
Interests accounted for using the equity method		-31.6	61.0	-12.1	33.2
Other comprehensive income before tax		13.4	-21.8	-13.0	58.7
Taxes on income	12	1.7	-18.4	8.3	-26.4
Other comprehensive income after tax	13	15.1	-40.2	-4.7	32.2
Total comprehensive income for the period		265.0	168.4	102.8	115.6
Attributable to the shareholders of VERBUND AG		213.5	136.2	74.4	98.8
Attributable to non-controlling interests		51.4	32.2	28.5	16.8

Balance sheet

		€m	
In accordance with IFRSs	Notes	30/6/2012	31/12/2011
Non-current assets		10,539.4	10,299.7
Intangible assets		637.4	632.1
Property, plant and equipment		6,647.9	6,578.7
Interests accounted for using the equity method	14	2,294.3	2,115.3
Other equity interests		129.5	129.9
Investments and other receivables	15	830.3	843.6
Current assets		1,373.9	1,558.5
Inventories		126.4	107.1
Trade receivables and other receivables	15	1,188.2	1,118.1
Cash and cash equivalents		59.4	333.2
Non-current assets held for sale	16	17.5	1.1
Total assets		11,930.8	11,859.3

		€m	
In accordance with IFRSs	Notes	30/6/2012	31/12/2011
Equity		4,935.1	4,929.4
Attributable to the shareholders of VERBUND AG		4,346.1	4,323.5
Attributable to non-controlling interests		589.0	605.9
Non-current liabilities		5,735.6	5,886.2
Financial liabilities	17	3,724.8	3,909.0
Provisions		617.6	618.7
Deferred tax liabilities		243.8	247.3
Contributions to building costs and grants		594.7	574.3
Deferred income – cross-border leasing		54.4	55.2
Other liabilities		500.3	481.8
Current liabilities		1,260.1	1,043.7
Financial liabilities	17	444.9	324.7
Provisions		187.1	225.6
Current tax liabilities		91.1	12.4
Trade payables and other liabilities		537.0	480.9
Total liabilities		11,930.8	11,859.3

Statement of changes in equity

In accordance with IFRSs	Share capital	Capital reserves	Retained earnings	Difference from currency translation
Notes				
As at 1/1/2011	347.4	954.3	2,880.5	-35.7
Shifts between shareholder groups	-	-	1.7	-
Total comprehensive income for the period	-	-	176.3	-101.6
Dividends	-	-	-191.1	-
As at 30/6/2011	347.4	954.3	2,867.4	-137.3
As at 1/1/2012	347.4	954.3	3,218.3	-165.0
Changes in the group of consolidated companies	-	-	0.1	-
Total comprehensive income for the period	-	-	198.2	52.1
Dividends	-	-	-191.1	-
As at 30/6/2012	347.4	954.3	3,225.6	-112.9

						€m
Measurement of available-for-sale financial instruments	Measurement of cash flow hedges	Other components of other comprehensive income	Equity attributable to the shareholders of VERBUND AG	Equity attributable to non-controlling interests	Total equity	
4.1	-114.4	-0.2	4,036.0	336.4	4,372.4	
-	-	-	1.7	2.0	3.7	
-2.9	71.8	-7.3	136.2	32.2	168.4	
-	-	-	-191.1	-60.6	-251.7	
1.2	-42.6	-7.5	3,982.9	310.0	4,292.9	
-2.0	-28.5	-1.0	4,323.5	605.9	4,929.4	
-	-	-	0.1	0.0	0.1	
1.5	-37.7	-0.8	213.5	51.4	265.0	
-	-	-	-191.1	-68.3	-259.4	
-0.4	-66.2	-1.7	4,346.1	589.0	4,935.1	

Cash flow statement

		€m	
In accordance with IFRSs	Notes	Q1-2/2012	Q1-2/2011
Profit for the period		249.9	208.7
Amortisation of intangible assets and depreciation of property, plant and equipment (net of reversals of impairment losses)		188.1	116.5
Result from interests accounted for using the equity method (net of dividends received)		52.1	47.0
Result from the disposal of non-current assets		-4.2	-3.1
Change in non-current provisions and deferred tax liabilities		-2.9	-14.7
Change in contributions to building costs and grants		20.4	23.7
Income from the reversal of deferred income from cross-border leasing transactions		-0.8	-0.8
Other non-cash expenses and income		-8.4	1.2
Subtotal		494.2	378.5
Change in inventories		-19.3	2.2
Change in trade receivables and other receivables		-100.2	63.2
Change in trade payables and other liabilities		-23.9	44.4
Change in current provisions and current tax liabilities		89.6	3.4
Cash flow from operating activities	18	440.4	491.7

		€m	
In accordance with IFRSs	Notes	Q1-2/2012	Q1-2/2011
Cash outflow from capital expenditure for intangible assets and property, plant and equipment		-308.8	-228.3
Cash inflow from the disposal of intangible assets and property, plant and equipment		19.1	2.4
Cash outflow from capital expenditure for investments		-58.1	-399.9
Cash inflow from the disposal of investments		313.5	9.6
Cash outflow from capital expenditure for interests accounted for using the equity method		-182.0	-215.0
Cash inflow from the disposal of subsidiaries and interests accounted for using the equity method		9.5	0.0
Cash inflow (outflow) from the disposal of (capital expenditure for) current investments		-170.4	402.9
Cash flow from investing activities		-377.2	-428.3
Cash inflow from shifts between shareholder groups		0.0	4.2
Cash inflow (outflow) from money market transactions		14.3	-32.9
Cash inflow from the assumption of financial liabilities (excluding money market transactions)		0.0	146.8
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		-92.0	-404.2
Dividends paid		-259.4	-251.7
Cash flow from financing activities		-337.1	-537.8
Change in cash and cash equivalents		-273.9	-474.5
Cash and cash equivalents as at 1/1/		333.2	489.0
Cash and cash equivalents as at 30/6/		59.4	14.5

Selected explanatory notes

Financial reporting principles

Basic principles

These consolidated interim financial statements of VERBUND as at 30 June 2012 were prepared in accordance with International Financial Reporting Standards (IFRSs) applicable to interim financial statements as endorsed by the European Union.

The condensed format of VERBUND's consolidated interim financial statements is consistent with IAS 34 "Interim Financial Reporting"; for further information and disclosures please refer to the consolidated financial statements of VERBUND as at 31 December 2011, which form the basis for these consolidated interim financial statements of VERBUND.

Group of consolidated companies

VERBUND Trading Romania S.R.L. was consolidated for the first time effective 1 January 2012. The equity-accounted interest in Kärntner Restmüllverwertungs GmbH was sold effective 10 May 2012 and consequently deconsolidated.

Accounting policies

With the exception of the new IASB accounting standards and the change in accounting policies described below, the same accounting policies were applied in these consolidated interim financial statements of VERBUND as in the consolidated financial statements of VERBUND as at 31 December 2011.

The addition of rounded amounts and the calculation of percentages may lead to rounding differences as a result of the use of computing software.

New accounting standards

Newly applicable or applied accounting standards

Standard or interpretation	Published by the IASB (endorsed by the EU)	Mandatory application for VERBUND	Effects on the consolidated interim financial statements of VERBUND
IFRS 7 Amendments: Transfers of Financial Assets	7/10/2010 (22/11/2011)	1/1/2012	Increase in disclosure requirements with respect to financial assets that have been transferred but not (or not entirely) derecognised and their relationship to any thereby newly incurred liabilities

Change in accounting policies

Since the 2005 reporting period, VERBUND has recognised the results from the measurement and realisation of energy trading contracts for electricity entered into for trading purposes under revenue; the underlying electricity purchases and sales are presented with offset (net) in electricity revenue. VERBUND's accounting policies correspond to international industry practice regarding the recognition of energy trading contracts for third party trading. Up until now, energy trading contracts for electricity that were entered into for the marketing of own generation or as part of the wholesale portfolio were presented without offset (gross); the purchase of electricity was recognised under electricity purchases, while electricity sales were recognised under electricity revenue.

However, business activities in the wholesale portfolio are more and more clearly exhibiting attributes that are typical of third party trading. In light of this, in order to improve financial performance presentation, the accounting policy for energy trading contracts in the wholesale portfolio was changed in quarter 1/2012 such that these transactions are now also presented net in the income statement under revenue. They are still presented gross in the balance sheet, unless a framework agreement with a netting clause has been concluded with the counterparty.

The change in accounting policies was carried out retrospectively effective 1 January 2011 in accordance with IAS 8 by adjusting all comparative figures. The amounts of the adjustment for earlier reporting periods were not determined for cost-benefit reasons.

Effect of the change in accounting policy on electricity revenue					€m
	Q1 – 2/2012	Q1 – 2/2011	Q2/2012	Q2/2011	
Electricity revenue	1,746.0	1,702.8	826.4	909.9	
Amount of the adjustment	–386.2	–408.0	–177.1	–196.8	
Electricity revenue with net presentation of energy trading contracts in the wholesale portfolio	1,359.8	1,294.8	649.3	713.1	

Effect of the change in accounting policy on expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)					€m
	Q1 – 2/2012	Q1 – 2/2011	Q2/2012	Q2/2011	
Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)	983.8	1,072.1	436.4	561.0	
Amount of the adjustment	–386.2	–408.0	–177.1	–196.8	
Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade) with net presentation of energy trading contracts in the wholesale portfolio	597.6	664.1	259.3	364.2	

The change in accounting policies had no effect on the result either in quarters 1 – 2/2012 or in earlier reporting periods; for this reason, earnings per share – diluted earnings per share correspond to basic earnings per share – also remained unchanged.

Segment reporting

VERBUND Trading Romania S.R.L., which was consolidated for the first time as at 1 January 2012, was allocated to the Electricity segment.

The operating result in the total column corresponds to the operating result in the income statement. Therefore, the reconciliation to profit before tax can be taken from the income statement.

	€m				
	Electricity	Grid	Equity Interests & Services	Elimination	Total Group
Q1 – 2/2012					
External revenue	1,308.6	245.2	8.9	–	1,562.8
Internal revenue	75.9	29.9	45.7	– 151.5	0.0
Total revenue	1,384.5	275.1	54.6	– 151.5	1,562.8
Operating result	441.9	– 10.0	– 23.7	26.5	434.7
Depreciation and amortisation	– 98.2	– 31.5	– 4.6	0.6	– 133.7
Effects from impairment tests ¹	– 52.9	0.0	0.0	0.0	– 52.9
Other material non-cash items	25.1	– 33.5	– 1.4	26.3	16.6
Result from equity interests	–	–	– 17.0	0.0	– 17.0
Of which result from interests accounted for using the equity method	–	–	– 24.3	0.0	– 24.3
Capital employed	5,746.6	996.3	6,903.1	– 4,210.8	9,435.2
Of which carrying amount of interests accounted for using the equity method	7.8	1.2	2,285.3	0.0	2,294.3
Additions to intangible assets and property, plant and equipment	217.5	42.5	7.6	0.0	267.6
Additions to equity interests	0.0	0.0	182.0	0.0	182.0

	€m				
	Electricity	Grid	Equity Interests & Services	Elimination	Total Group
Q1 – 2/2011					
External revenue	1,252.2	202.4	5.4	–	1,460.0
Internal revenue	56.8	28.1	51.9	– 136.8	0.0
Total revenue	1,309.1	230.4	57.2	– 136.8	1,460.0
Operating result	368.7	30.5	– 10.1	– 0.4	388.7
Depreciation and amortisation	– 82.4	– 30.0	– 4.5	0.5	– 116.5
Effects from impairment tests ¹	0.0	0.0	0.0	0.0	0.0
Other material non-cash items	– 19.3	4.9	0.1	– 0.3	– 14.6
Result from equity interests	–	–	– 4.6	0.0	– 4.6
Of which result from interests accounted for using the equity method	–	–	– 9.1	0.0	– 9.1
Capital employed	4,726.6	900.5	6,842.5	– 4,236.5	8,233.1
Of which carrying amount of interests accounted for using the equity method	24.3	1.3	2,262.6	0.0	2,288.1
Additions to intangible assets and property, plant and equipment	192.2	30.5	5.6	0.0	228.3
Additions to equity interests	0.0	0.0	215.0	0.0	215.0

¹ The effects from impairment tests consist of impairment losses and reversals from impairment losses (net of changes in the corresponding deferred contributions to building costs and government grants).

Notes to the income statement

Electricity revenue by customer areas

	Q1 – 2/2012		Change	Q1 – 2/2011		Change
	Domestic	Domestic		Foreign	Foreign	
Electricity deliveries to consumers	235.1	226.5	3.8%	131.2	102.7	27.8%
Electricity deliveries to resellers	402.2	423.0	–4.9%	91.2	91.2	0.0%
Electricity deliveries to traders	16.0	17.0	–5.6%	484.1	434.4	11.4%
Total electricity revenue	653.3	666.5	–2.0%	706.5	628.3	12.4%

(1)
Electricity revenue

Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)

	Q1 – 2/2012		Change
	Q1 – 2/2012	Q1 – 2/2011	
Expenses for electricity purchases	526.7	598.9	–12.1%
Expenses for grid purchases (system use)	72.3	66.1	9.4%
Expenses for gas purchases ¹	0.1	–2.1	n.a.
Purchases of emission rights (trade) ²	–1.5	1.2	n.a.
Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)	597.6	664.1	–10.0%

(2)
Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)

¹ In quarters 1 – 2/2011, the negative expenses for gas purchases mainly resulted from the measurement of freestanding derivatives in the energy area. These were related to the purchases of gas for the combined cycle gas turbine power plant in Mellach that was under construction at that time. // ² In quarters 1 – 2/2012, the negative expenses for emission rights purchases mainly resulted from the measurement of inventories of emission rights held for trading.

Fuel expenses and other usage-dependant expenses

	Q1 – 2/2012		Change
	Q1 – 2/2012	Q1 – 2/2011	
Fuel expenses	81.2	50.7	60.2%
Emission rights acquired in exchange for consideration	0.4	4.8	–92.5%
Other usage-dependant expenses	3.1	3.2	–2.2%
Fuel expenses and other usage-dependant expenses	84.6	58.7	44.3%

(3)
Fuel expenses and other usage-dependant expenses

(4)
Personnel expenses

Personnel expenses		€m		
	Q1–2/2012	Q1–2/2011	Change	
Wages and salaries	123.4	118.9	3.8%	
Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	27.5	26.9	2.3%	
Other social expenses	1.9	1.8	6.9%	
Subtotal	152.8	147.6	3.5%	
Expenses for pensions and similar obligations	31.6	15.1	109.8%	
Expenses for severance payments	11.7	2.7	n.a.	
Personnel expenses	196.1	165.4	18.6%	

A total of €3.8m was paid into the pension fund in quarters 1–2/2012 (quarters 1–2/2011: €3.7m) as part of defined contribution schemes. Expected returns remain at 2.0% p.a. for pension plan assets covering defined benefit schemes.

Existing provisions for pensions and similar obligations, severance payments and partial retirement models were measured on the basis of an actuarial report updated on 30 June 2012. The discount rate for this was 4.25% (30 June 2011 and 31 December 2011: 4.75%). The actuarial losses recognised in profit or loss in quarters 1–2/2012 totalled €24.9m (quarters 1–2/2011: gains of €3.0m). In light of current interest rate developments, there is a considerable risk that the discount rate – and therefore provisions – require(s) further adjustment in subsequent periods.

(5)
Effects from
impairment tests

The combined cycle gas turbine power plant in Mellach was tested for impairment as at 30 June 2012 due to indications of impairment as a result of the current difficult market situation for gas power plants. The recoverable amount of the combined cycle gas turbine power plant was calculated based on its value in use. The value in use was determined using a net present value method. The impairment loss resulting from the impairment test amounted to €53.7m. The reversal of deferred government grants reduced the impairment by €1.5m. The net effect on profit or loss from the impairment loss amounted to a total of €52.2m.

(6)
Result from interests
accounted for using
the equity method

Result from interests accounted for using the equity method		€m				
	Q1–2/2012 Domestic	Q1–2/2011 Domestic	Change	Q1–2/2012 Foreign	Q1–2/2011 Foreign	Change
Income or expenses from interests accounted for using the equity method	31.9	36.0	–11.5%	–50.8	–36.3	–39.9%
Impairment losses or reversals of impairment losses	–5.3	0.0	n.a.	0.0	–8.7	100.0%
Result from interests accounted for using the equity method	26.6	36.0	–26.2%	–50.8	–45.0	–12.9%

The impairment losses and/or reversals of impairment losses in quarters 1-2/2011 resulted from impairment tests of the equity-accounted interests in POWEO Production S.A.S. and POWEO S.A. (Group) sold effective 22 September 2011 and 30 September 2011.

The carrying amounts of the equity interests in POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. were reduced to zero in the 2011 reporting period by current losses or by impairment losses.

POWEO Pont-sur-Sambre Production S.A.S. was placed under a judicial safeguard procedure ("procédure de sauvegarde") in quarter 1/2012, which resulted in termination of the disadvantageous natural gas supply agreement with ENI S.p.A. on 24 April 2012. This natural gas supply agreement had been recognised at fair value through profit or loss (as a liability) since quarter 3/2011. The effect on the profit or loss in the amount of €62.3m resulting from the judicial termination of the agreement resulted on one hand in a balancing of the losses for which recognition was discontinued in the amount of €43.3m and on the other hand, after the reduction for further current losses, in the recognition of a result from interests accounted for using the equity method in the amount of €13.9m.

To secure the financial position of POWEO Toul Production S.A.S., VERBUND provided a letter of comfort limited in time and amount in quarter 2/2012. VERBUND's legal commitment as the sponsoring entity resulted in the recognition of formerly off-balance sheet losses for which recognition had been discontinued in the amount of €48.0m. The cumulative off-balance sheet losses for which recognition was discontinued for POWEO Toul Production S.A.S. totalled €39.3m as at 30 June 2012 (31 December 2011: €48.8m).

The EUR/TRY and USD/TRY exchange rate trends resulted in foreign exchange gains at Enerjisa Enerji Üretim A.S. and Enerjisa Elektrik Dagitim A.S. - these investees were transferred to the (newly established) holding company Enerjisa Enerji A.S., a joint venture of VERBUND and Sabanci Holding A.S., in the 2011 reporting period - from the measurement of liabilities denominated in foreign currency recognised in profit or loss (quarters 1-2/2012: exchange losses). The resulting effect on the result from interests accounted for using the equity method of VERBUND in quarters 1-2/2012 amounted to a total of €25.1m (quarters 1-2/2011: €-30.1m).

The 45% equity interest in Gletscherbahnen Kaprun AG was classified as held for sale effective 30 May 2012. In accordance with IFRS 5, an impairment test was conducted prior to this classification but after the recognition of the current pro rata profit or loss for the period. The recoverable amount was determined on the basis of fair value less costs to sell. The resulting impairment loss amounted to €5.3m and was recognised in the result from interests accounted for using the equity method.

In quarter 2/2012, €3.6m in effects on profit or loss from the disposal of the interest in Kärntner Restmüllverwertungs GmbH was recognised in other result from equity interests. This includes €-1.3m in reclassification adjustments ("recycling") from other comprehensive income to the income statement.

(7)
Other result from
equity interests

(8) Interest income	Interest income	€m	
	Q1-2/2012	Q1-2/2011	Change
	13.8	12.5	10.1%
	1.6	2.8	-43.7%
	4.4	2.2	101.7%
	19.7	17.4	13.1%

(9) Interest expenses	Interest expenses	€m	
	Q1-2/2012	Q1-2/2011	Change
	52.3	52.7	-0.8%
	21.3	31.7	-32.6%
	13.8	12.5	10.1%
	22.8	22.7	0.1%
	3.1	3.5	-10.7%
	-17.8	11.7	n.a.
	-15.0	-13.8	-8.3%
	13.1	5.7	131.4%
	93.7	126.7	-26.1%

¹ Other interest and similar expenses in quarters 1-2/2012 included a repayment premium and fees from the early repayment of a bond denominated in foreign currency (JPY).

(10) Other financial result	Other financial result	€m	
	Q1-2/2012	Q1-2/2011	Change
	9.4	8.7	9.0%
	0.0	0.3	-100.0%
	10.1	8.4	20.8%
	-6.7	-1.2	n.a.
	-22.8	-12.7	-79.1%
	-9.9	3.4	n.a.

The fair value of the overall short position with respect to the former subsidiaries and second-tier subsidiaries of POWEO Production S.A.S. (including the financing and guarantees currently provided by VERBUND) vis-à-vis POWEO S.A. and Direct Energie S.A. amounted to €3.8m as at 30 June 2012 (31 December 2011: €13.4m). The effect on profit or loss in the amount of €9.6m resulting from this measurement in quarters 1-2/2012 (quarters 1-2/2011: €-12.7m) was recognised under other expenses from financial instruments (see also: (14) Interests accounted for using the equity method).

The best estimate of the guarantee liabilities for the construction financing for the combined cycle gas turbine power plant in Toul was €74.1m as at 30 June 2012 (31 December 2011: €42.9m). The effect on profit or loss of €-32.4m resulting from this measurement in quarters 1-2/2012 (quarters 1-2/2011: €0.0m) was recognised in other expenses from financial instruments.

Notes to the statement of comprehensive income

The ECB euro reference exchange rate for the Turkish lira (TRY) as at 30 June 2012 was TRY 2.2834 (31 December 2011: TRY 2.4432). The EUR/TRY exchange rate trend in quarters 1-2/2012 resulted in foreign exchange gains in the amount of €54.9m (quarters 1-2/2011: foreign exchange losses in the amount of €101.6m) from the currency translation of the equity-accounted Turkish joint venture. These foreign exchange gains and losses were recognised without effect on profit or loss in other comprehensive income.

Of taxes on other comprehensive income, €0.0m (quarters 1-2/2011: €1.0m) could be attributed to the measurement of available-for-sale financial instruments and €1.7m (quarters 1-2/2011: €-5.7m) to the measurement of cash flow hedges.

Of other comprehensive income after tax, €-0.2m (quarters 1-2/2011: €-0.1m) could be attributed to non-controlling interests.

Notes to the balance sheet

As at 30 June 2012, the 100% equity interests in POWEO Pont-sur-Sambre Production S.A.S. and in POWEO Toul Production S.A.S. continued to be accounted for using the equity method. As potential voting rights on the part of POWEO S.A. and Direct Energie S.A., the overall short position with respect to the former subsidiaries and second-tier subsidiaries of POWEO Production S.A.S. still conflicts with VERBUND's control of (inter alia) these two investees. The overall short position may have been far out of the money as at 30 June 2012, but it continues to have sufficient economic substance in the opinion of VERBUND's management.

In quarters 1-2/2012, capital increases were carried out at the Turkish Enerjisa Enerji A.S. (Group). VERBUND's 50% share in these capital increases amounted to a total of €182.0m.

The 42.87% equity-accounted interest in Kärntner Restmüllverwertungs GmbH was sold effective 10 May 2012 (see: (7) Other result from equity interests).

The 45% equity-accounted interest in Gletscherbahnen Kaprun AG was classified as held for sale effective 30 May 2012 (see: (16) Non-current assets held for sale).

(11)
Foreign exchange
differences

(12)
Taxes on other
comprehensive
income

(13)
Other comprehensive
income after tax

(14)
Interests accounted
for using the equity
method

(15)
Investments and
other receivables

To date, VERBUND has terminated around 85% of the cross-border leasing transaction volume completely or partially; the last remaining transaction has an off-balance sheet financing structure (see: Contingent liabilities).

The partially terminated transactions may have been terminated early, but the B-loans and the related investments were continued by VERBUND. All financing transactions are covered on the balance sheet.

Investments and other non-current receivables	€m		
	30/6/2012	31/12/2011	Change
Investments – closed items on the balance sheet	291.1	287.4	1.3%
Interest rate swaps – closed items on the balance sheet	128.2	120.2	6.6%
Other investments and other receivables	411.0	436.0	-5.7%
Total	830.3	843.6	-1.6%

Current receivables included other loans under closed items on the balance sheet in the amount of €0.6m (31 December 2011: €0.9m).

(16)
Non-current assets
held for sale

In quarter 2/2012, VERBUND signed a sales contract with Kapruner Tourismus Holding GmbH for 45.0% of the shares in Gletscherbahnen Kaprun AG. The closing is subject to approval by competition authorities and is expected to take place in quarter 3/2012. Thus, the equity-accounted interest was (still) classified as held for sale as at 30 June 2012. Gletscherbahnen Kaprun AG is active as the operator of ski lifts and the Kitzsteinhorn ski area in Pinzgau/Salzburg. The decision to sell this equity interest was taken mainly as a result of VERBUND's strategic focus.

The 50.1% equity interest in POWEO Outre-mer Solaire S.A.S. (Group) continued to be classified as held for sale as at 30 June 2012. The sale is still to be carried out as promptly as possible in the form of a share deal. POWEO Outre-mer Solaire S.A.S. (Group) is active in the area of project development and in the operation of solar parks and rooftop photovoltaic systems in French overseas territories. This equity interest will temporarily remain with VERBUND merely as an interim step for the best possible disposal of the renewable energies projects of (former) POWEO Production S.A.S. The decision to sell this equity interest was taken mainly as a result of VERBUND's strategic focus.

(17)
Financial liabilities

Non-current financial liabilities	€m		
	30/6/2012	31/12/2011	Change
Financial liabilities – closed items on the balance sheet	419.3	407.6	2.9%
Other financial liabilities	3,305.5	3,501.2	-5.6%
Total	3,724.8	3,909.0	-4.7%

Current financial liabilities include financial liabilities under closed items on the balance sheet in the amount of €0.6m (31 December 2011: €0.9m).

Notes to the cash flow statement

Cash flow from operating activities in quarters 1-2/2012 includes variation margin payments from futures contracts in the energy area totalling €- 10.6m (quarters 1-2/2011: €33.3m).

(18)
Cash flow from
operating activities

Other note disclosures

Dividends paid	Total (€m)	Number of ordinary shares	Per share (€)
Dividend paid in 2012 for financial year 2011	191.1	347,415,686	0.55
Dividend paid in 2011 for financial year 2010	191.1	347,415,686	0.55

Dividends paid

Purchase commitments for property, plant and equipment, intangible assets and other services	€m		
	30/6/2012	Of which payable in 2012	Of which payable 2013-2017
Total commitment	535.9	343.9	191.1

Purchase
commitments

Outstanding contribution commitments to investees include equity contributions, provided the corresponding shareholder resolutions have already been passed. This does not include future contribution commitments that can still arise based on framework agreements from joint ventures.

Outstanding
contribution
commitments

As at 30 June 2012, there is a total of €44.0m in outstanding contribution commitments to investees. These relate to the Turkish joint venture Enerjisa Enerji A.S. (Group) and are payable in the amount of €26.1m in 2012 and €17.9m in 2013.

VERBUND's last remaining cross-border leasing transaction has an off-balance sheet financing structure. As at 30 June 2012, VERBUND's subsidiary liability for the non-redeemed portion of lease liabilities from cross-border leasing transactions amounted to €519.1m (31 December 2011: €532.2m). Of the rights of recourse against primary debtors, a total of €389.4m (31 December 2011: €409.6m) was secured through counter-guarantees on the part of financial institutions, entities entitled to purchase electricity and regional authorities (from guarantors' liabilities). In addition, €182.2m (31 December 2011: €172.9m) was covered by off-balance sheet investments.

Contingent liabilities

As at 30 June 2012, there were other contingent liabilities in the amount of €28.0m (31 December 2011: €28.1m) in the form of guarantees issued by VERBUND for non-consolidated Verbundplan Birecik Baraji Isletme Ltd. Sti. (VBOC).

**Transactions with
related parties**

Transactions with investees accounted for using the equity method			€m
	Q1–2/2012	Q1–2/2011	Change
Income statement			
Electricity revenue	216.7	218.4	–0.8%
Grid revenue	27.3	25.8	6.0%
Other revenue	–3.7	3.7	n.a.
Other operating income	1.4	0.6	122.9%
Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)	–97.6	–102.8	5.0%
Other operating expenses	–1.1	–0.9	–21.7%
Interest expenses	–1.5	0.0	n.a.
Interest income	2.9	2.4	23.0%
Other financial result	3.9	–9.1	n.a.
	30/6/2012	31/12/2011	Change
Balance sheet			
Investments and other non-current receivables	265.5	269.4	–1.4%
Trade receivables and other current receivables	263.7	156.4	68.5%
Non-current provisions	1.8	0.4	n.a.
Current provisions	3.0	3.4	–11.4%
Trade payables and other current liabilities	188.4	76.6	146.0%

In determining the above disclosures, it was taken into consideration that POWEO S.A. and POWEO Production S.A.S. were only related parties as defined under IAS 24 until the end of quarter 3/2011; POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. were and continue to be related parties of VERBUND. Revenue with POWEO Pont-sur-Sambre Production S.A.S. amounted to a total of €–10.6m in quarters 1–2/2012 (quarters 1–2/2011: €0.0m). The negative revenue resulted from gas purchases and sales in conjunction with the combined cycle gas turbine power plant in Pont-sur-Sambre that were presented with offset (net) under other revenue. The purchase of electricity from POWEO Pont-sur-Sambre Production S.A.S. amounted to a total of €–47.9m (quarters 1–2/2011: €–43.4m). Interest income from POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. – recognised in part in other financial result – amounted to a total of €4.8m (quarters 1–2/2011: €4.6m). As at 30 June 2012, there were receivables from POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. totalling €339.3m (31 December 2011: €250.7m), €165.8m of which non-current (31 December 2011: €173.8m). As at 30 June 2012, there were payables to POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. totalling €133.1m (31 December 2011: €42.0m), all of which current. POWEO Toul Production S.A.S. entered into a natural gas supply agreement with Statoil ASA in quarter 1/2012 for the purchase of gas in the commissioning phase of the combined cycle gas turbine power plant in Toul. VERBUND issued a guarantee for this purpose with a maximum liability of €13.5m. Moreover, in quarter 2/2012, VERBUND provided a letter of comfort that expires on 31 December 2012 and is limited to €48.0m to secure the financial position of POWEO Toul Production S.A.S.

VERBUND and Sabanci Holding A.S. concluded a sponsor additional support agreement in quarter 1/2012 in order to secure construction financing from an international banking syndicate for a thermal power plant project of Enerjisa Enerji Üretim A.S. in Tufanbeyli.

Electricity deliveries to companies controlled or significantly influenced by the Republic of Austria amounted to a total of €47.3m in quarters 1-2/2012 (quarters 1-2/2011: €29.2m). The primary buyers of this electricity were ÖBB, OMV and Telekom Austria. Electricity purchased from companies controlled or significantly influenced by the Republic of Austria amounted to a total of €0.9m in quarters 1-2/2012 (quarters 1-2/2011: €0.1m). The primary supplier of this electricity was the ÖBB.

VERBUND's expenses for monitoring by Energie-Control Austria in quarters 1-2/2012 amounted to a total of €6.2m (quarters 1-2/2011: €5.2m).

These consolidated interim financial statements of VERBUND were reviewed by Deloitte Audit Wirtschaftsprüfungs GmbH.

Audit or review

Shares in the Italian Sorgenia S.p.A. (Group) totalling €9.5m were acquired effective 9 July 2012. The acquisition of shares resulted from a capital increase and the exercise of put options on shares that had been issued within the scope of a share-based remuneration programme for members of the management of Sorgenia S.p.A. (Group). As a result, VERBUND's ownership interest in Sorgenia S.p.A. (Group) increased slightly from 44.9% to 45.7%.

**Events after the
balance sheet date**

Effective 12 July 2012, a capital increase was carried out at the Turkish Enerjisa Enerji A.S. The 50% share of VERBUND in this capital increase amounted to €26.1m.

Responsibility statement of the legal representatives

We confirm according to the best of our knowledge that the condensed consolidated interim financial statements of VERBUND as at 30 June 2012 prepared in accordance with the accounting standards for interim financial reports under International Financial Reporting Standards (IFRSs) give a true and fair view of the assets and liabilities, cash flows and profit or loss of the Group as required under stock exchange regulations.

We also confirm that the consolidated interim management report of VERBUND gives a true and fair view of the assets and liabilities, cash flows and profit or loss of the Group as required under stock exchange regulations with respect to the important events during the first six months of the financial year and their effects on the condensed consolidated interim financial statements of VERBUND as at 30 June 2012 as well as with respect to the principal risks and uncertainties in the remaining six months of the financial year and with respect to the major related party transactions which must be disclosed.

Vienna, 24 July 2012
Executive Board

Dipl.-Ing. Wolfgang Anzengruber
Chairman of the Executive Board

Dr. Johann Sereinig
Vice-Chairman of the Executive Board

Dr. Ulrike Baumgartner-Gabitzer
Member of the Executive Board

Dipl.-Ing. Dr. Günther Rabensteiner
Member of the Executive Board

Translation of the report on the review of the consolidated interim financial report as at 30 June 2012¹

¹ The report is a translation from the original report in German, which is solely valid. This English translation of the review report was prepared for the client's convenience only. It is no legally relevant translation of the German review report.

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of VERBUND AG, Vienna, for the period from 1 January 2012 to 30 June 2012 including the consolidated balance sheet as at 30 June 2012, the related income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity for the period from 1 January 2012 to 30 June 2012 as well as selected explanatory notes.

Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with IAS 34 "Interim Financial Reporting" as endorsed in the European Union.

Our responsibility is to issue a report on these condensed consolidated interim financial statements based on our review.

Under reference to Section 87(3) of the Austrian Stock Exchange Act (Börsegesetz, BörseG) in conjunction with Section 275(2) of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB), our liability for negligence is limited to €12m.

Scope of review

We conducted our review in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing - in particular Fachgutachten KFS/PG 11 "Grundsätze für die prüferische Durchsicht von Abschlüssen" as well as International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements do not present fairly, in all material respects, the financial position of the entity as at 30 June 2012 in accordance with IAS 34 "Interim Financial Reporting" as endorsed in the European Union.

Translation of the statement on the consolidated interim management report and on the responsibility statement of the legal representatives according to Section 87 of the Austrian Stock Exchange Act (BörseG)¹

¹ The report is a translation from the original report in German, which is solely valid. This English translation of the review report was prepared for the client's convenience only. It is no legally relevant translation of the German review report.

We have read the accompanying condensed consolidated interim management report of VERBUND AG as at 30 June 2012 and assessed whether it contains any obvious contradictions to the condensed consolidated interim financial statements. Based on our review nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim management report contains obvious contradictions to the condensed consolidated interim financial statements.

The interim financial report of VERBUND AG as at 30 June 2012 includes the responsibility statement of the legal representatives as required by Section 87(1)(3) of the Austrian Stock Exchange Act (BörseG).

Vienna, 24 July 2012

Deloitte Audit Wirtschaftsprüfungs GmbH

Mag. Maximilian Schreyvogel
(Austrian) Certified Public Accountant

MMag. Dr. Klaus-Bernhard Gröhs
(Austrian) Certified Public Accountant

EDITORIAL DETAILS

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Shareholder structure:

– Republic of Austria (51.0%)
– Syndicate (>25.0%) consisting of EVN AG (the shareholders of which are: Niederösterreichische Landes-Beteiligungsholding GmbH 51%, EnBW Energie Baden-Württemberg AG 32.5%) and Wiener Stadtwerke (whose sole shareholder is the City of Vienna)
– TIWAG-Tiroler Wasserkraft AG (>5.0%, the sole shareholder is the province of Tyrol)
– Free float (<20.0%): no further information is available concerning proprietors of shares in free float.

Legal and statutory limitations of voting rights:

With the exception of regional authorities and companies in which regional authorities hold an interest of at least 51%, the voting rights of each shareholder in the Annual General Meeting are restricted to 5% of the share capital.

Regulatory body/trade associations:

E-Control GmbH/E-Control Kommission
Bundesministerium für Wirtschaft und Arbeit
Wirtschaftskammer Österreich
Oesterreichs Energie

Business objective:

The Group focus is the generation, transportation, trading with and sales of electrical energy.

Managing Board:

Wolfgang Anzengruber (Chairman),
Johann Sereinig, Ulrike Baumgartner-Gabitzer,
Günther Rabensteiner

Supervisory Board:

Gilbert Frizberg (Chairman), Peter Püspök (1st Vice-Chairman), Reinhold Süßenbacher (2nd Vice-Chairman), Alfred H. Heinzel, Harald Kaszanits, Herbert Kaufmann, Peter Layr, Gabriele Payr, Christa Wagner, Siegfried Wolf, Anton Aichinger, Ingeborg Oberreiner, Kurt Christof, Harald Novak, Joachim Salamon

Purpose of publication:

Information for customers, partners and the general public about the utilities sector and the Group.

Special legal foundations:

Austrian Electricity Industry and Organisation Act (Elektrizitätswirtschafts-und-organisationsgesetz, EIWOG) with the associated regulations and implementation laws. The legal foundations listed can be accessed via the legal information system of the Federal Chancellery of the Republic of Austria under www.ris.bka.gv.at.

Verbund